

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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R 211620Z FEB 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 0482

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

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AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L COPENHAGEN 0512

E.O. 11652: GDS

TAGS: EGEN, PINT, ELAB, DA

SUBJECT: PROGRAM OF NEW SOCIAL DEMOCRATIC GOVERNMENT

REF: COPENHAGEN 416

SUMMARY: PRIMIN ANKER JORGENSEN PRESENTED HIS  
GOVERNMENT'S PROGRAM IN PARLIAMENT FEBRUARY 20. THE BRIEF  
AND VERY GENERAL SPEECH WAS CLEARLY AN OFFER TO COOPERATE  
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WITH THE MAJORITY IN PARLIAMENT AND WITH THE DANISH

BUSINESS COMMUNITY, BUT IT CONTAINED LITTLE OF REAL SUBSTANCE. WITH NATIONAL WAGE NEGOTIATIONS REACHING THE CRITICAL POINT, THE GOVERNMENT IS PLAYING ITS CARDS CLOSE TO THE CHEST. END SUMMARY.

1. PRESENTATION OF THE GOVERNMENT'S PROGRAM IN PARLIAMENT WAS UNUSUALLY BRIEF AND SKETCHY. IT WAS ALMOST ENTIRELY ECONOMIC, AIMED AT AN EXPANSION OF THE DOMESTIC CONSTRUCTION SECTOR AND OF PRIVATE INVESTMENT IN THE EXPORT INDUSTRIES PARTICULARLY AS THE MEANS OF ATTENUATING THE CURRENT HIGH UNEMPLOYMENT RATE. CLEARLY SIGNALING THE GOVERNMENT'S INTENDED MODERATE APPROACH, THE PROGRAM WAS A COMPILATION OF EMPLOYMENT STIMULATING MEASURES WHICH HAVE LONG BEEN UNDER DISCUSSION.

2. THE PROGRAM SPECIFIED FOUR IMMEDIATE OBJECTIVES:

(1) AN EXPANSION OF THE DOMESTIC CONSTRUCTION INDUSTRY, WHICH JORGENSEN DECLARED WAS A MAJOR CAUSE OF THE PRESENT UNEMPLOYMENT. THE GOVERNMENT INTENDS TO BRING NEW HOUSING STARTS UP TO THE 40,000 PER YEAR LEVEL CALLED FOR BY THE HOUSING COMPROMISE OF LAST MAY. (CURRENT STARTS HAVE FALLEN TO A RATE COMPARABLE TO LESS THAN 25,000 ON AN ANNUAL BASIS.)

(2) A RELAXATION OF SPENDING LIMITATIONS CURRENTLY IMPOSED ON LOCAL AND PROVINCIAL GOVERNMENTS IN ORDER TO EXPAND PUBLIC WORKS PROJECTS.

(3) MEASURES TO IMPROVE THE INDUSTRIAL EXPORT SECTOR'S COMPETITIVENESS INCLUDING A GUARANTEE SYSTEM AGAINST FOREIGN EXCHANGE LOSSES, ESTABLISHMENT OF AN INSTITUTE FOR LONG-TERM EXPORT FINANCING AND MORE FAVORABLE DEPRECIATION ALLOWANCES, AND

(4) IMPROVED ECONOMIC AID TO THE UNEMPLOYED.

3. WITH RESPECT TO THE NATIONAL WAGE NEGOTIATIONS, JORGENSEN COMMENTED MERELY THAT THE GOVERNMENT WOULD EXPECT THE PRIVATE INTEREST ORGANIZATIONS (EMPLOYERS AND CONFIDENTIAL

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TRADE UNION FEDERATIONS) TO LIVE UP TO THEIR RESPONSIBILITY TO NEGOTIATE FREELY TO A "SOCIALY RESPONSIBLE SOLUTION." HE PROMISED THAT THE GOVERNMENT'S WAGE OFFER TO CIVIL SERVANTS WOULD BE HELD WITHIN VERY MODEST LIMITS.

4. IN A TELEVISION INTERVIEW FOLLOWING HIS SPEECH, JORGENSEN EXPLAINED HIS LACK OF ANY MENTION OF ECONOMIC DEMOCRACY. IN VIEW OF THE PARLIAMENTARY SITUATION, HE SAID, THAT

PROPOSAL WOULD HAVE TO BE PUT ON THE SHELF FOR THE TIME BEING.

5. THE GOVERNMENT WILL RE-INTRODUCE ITS LIBERAL PREDECESSOR'S BUDGET WITH MINOR CHANGES. WHILE THE SEVEN BILLION KRONER TAX REDUCTION IS RETAINED, THE SAVINGS PROGRAM REQUIRED TO OFFSET THAT REDUCTION WILL BE MORE LIMITED THAN THE HARTLING GOVERNMENT DESIRED. IN GENERAL, JORGENSEN PROMISED A 1975 BUDGET THAT WOULD SHOW A CONSIDERABLY LARGER DEFICIT THAN IN 1974.

6. FOREIGN AFFAIRS WERE BARELY TOUCHED UPON. JORGENSEN SIMPLY STATED THAT FOREIGN, DEFENSE AND COMMON MARKET POLICIES WOULD BE CARRIED FORWARD ALONG TRADITIONAL LINES, BASED ON DENMARK'S MEMBERSHIP IN THE UN, NATO AND THE EC.

7. PRESS REACTION TO THE SPEECH WAS POSITIVE. THE CONSERVATIVE PARTY LEADER'S COMMENT -- THAT IF REPRESENTED AN OUTSTRETCHED HAND -- WAS TYPICAL. ONLY THE FAR-LEFT FELT THAT IT WAS "WEAK" AND TOO BOURGEOIS. IT IS EXPECTED THAT THE DEBATE IN PARLIAMENT ON THE PROGRAM FEB. 21 WILL CLARIFY THE GOVERNMENT'S INTENTIONS IN GREATER DEGREE.

8. COMMENT: UNTIL THE EXPECTED RESULTS OF THE NATIONAL WAGE NEGOTIATIONS COME INTO CLEARER FOCUS THE GOVERNMENT CAN HARDLY LAY OUT ITS ECONOMIC PROGRAM IN MUCH DETAIL.  
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